

Environment Society of Oman

Financial statements

31 December 2006

Chairman

Director of the Institute

Secretary

Member of the Board

Member of the Board

Member of the Board

Page

Environment Society of Oman

Financial statements

31 December 2006

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Environmental
Accounting

Environment Society of Oman

REPORT OF THE AUDITORS TO THE MEMBERS OF
ENVIRONMENT SOCIETY OF OMAN

Financial statements

31 December 2006

We have audited the Financial statements of Environment Society of Oman (the Society) set out on pages 2 to 6, which comprise the Balance sheet as at 31 December 2006, and the revenue statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Our financial statements for the year ended 31 December 2005 were audited by us in accordance with International Auditing Standards.

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Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Result for qualified opinion

We were appointed after the year end 31 December 2006, hence we were unable to obtain the physical count of currency as at that date. Further, the Management also does not have proper accounting information relating to the quantities and values of the inventory as the close of the year.

We also observed that the opening stock and bank balances as per the accompanying information and the financial statements for the year ended 31 December 2005 have certain differences. The Management is unable to reconcile the difference in the opening financial statements. The difference as the amount of OMR 100 has been changed as agreed by the audit and tax.



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REPORT OF THE AUDITORS TO THE MEMBERS OF ENVIRONMENT SOCIETY OF OMAN

Report on the financial statements

We have audited the financial statements of Environment Society of Oman ("the Society") set out on pages 2 to 9, which comprise the balance sheet as at 31 December 2006, and the income statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the year ended 31 December 2005 were audited by AGN Mak Ghazali LLC, who issued an unqualified opinion.

Board of Directors responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for qualified opinion

We were appointed after the year end 31 December 2006, hence, we were unable to attend the physical count of inventory as at that date. Further, the Management also does not have proper accounting information detailing the quantities and values of the inventory at the close of the year.

We also observed that the opening cash and bank balance as per the accounting information and the financial statements for the year ended 31 December 2005 have certain differences. The Management is unable to reconcile the difference in the current financial statement, this difference in the amount of RO 105 has been charged as expense to the profit and loss.

continued on page 1 (a)

We have also observed that Management does not have the detailed break up of the opening balance of the creditors and accruals, hence, party wise breakup of the balances payable as at 31 December 2006 is not available.

Qualified opinion

In our opinion, except for the effects of the above described issues in the previous paragraphs, these financial statements present fairly, in all material respects, the financial position of Environment Society of Oman as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

3 March 2008



ENVIRONMENT SOCIETY OF OMAN

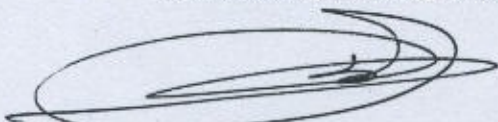
Balance sheet

As at 31 December

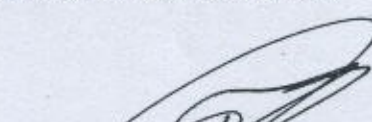
	Note	2006 RO	2005 RO
Non-current assets			
Fixed assets	3	11,352	4,790
Current assets			
Stock	4	1,729	1,098
Cash at bank and in hand	5	32,856	14,641
		<u>34,585</u>	<u>15,739</u>
Current liabilities			
Creditors and accruals	6	(816)	(990)
Total current assets		<u>33,769</u>	<u>14,749</u>
Total assets		<u>45,121</u>	<u>19,539</u>
Represented by Member's Fund		<u>45,121</u>	<u>19,539</u>

The notes on pages 6 to 9 form an integral part of these financial statements.

We approve and authorise for issue these financial statements on behalf of the Board of Directors.


Chairman


Executive Director


Treasurer

3.03.2008

The report of the Auditors is set forth on page 1.



ENVIRONMENT SOCIETY OF OMAN

Statement of revenue and expenditure

For the year ended 31 December

	<i>Note</i>	2006 RO	2005 RO
Revenue			
Donation and Sponsorship		29,855	12,340
Membership Fees		4,927	4,863
Sales		10,235	9,652
		<u>45,017</u>	<u>26,855</u>
Gross profit			
Expenditure			
Cost of sales		1,359	1,786
Administrative and general expenses	7	13,840	5,080
Depreciation		4,236	450
		<u>19,435</u>	<u>7,316</u>
Excess of revenue over expenditure		<u><u>25,582</u></u>	<u><u>19,539</u></u>

The notes on pages 6 to 9 form an integral part of these financial statements.

The report of the Auditors is set forth on page 1.

ENVIRONMENT SOCIETY OF OMAN

Statement of changes in Members' Fund

as at 31 December

	2006 RO	2005 RO
Cash from sales of printing materials	2006	2005
Net income for the period	RO	RO
Adjustments are:		
1 January	19,539	-
Excess of revenue over expenditure for the year	25,582	19,539
31 December	45,121	19,539

The notes on pages 6 to 9 form an integral part of these financial statements.

The report of the Auditors is set forth on page 1.

ENVIRONMENT SOCIETY OF OMAN

Cash flow statement

for the year ended 31 December

	2006 RO	2005 RO
Cash flows from operating activities		
Net income for the period	25,582	19,539
Adjustments for:		
Depreciation	4,236	450
Increase in stock	(631)	(1,098)
Decrease in creditors and accruals	(174)	990
Net cash from operating activities	<u>29,013</u>	<u>19,881</u>
Cash flows from investing activities		
Purchase of fixed assets	(10,798)	(5,240)
Net cash used in investing activities	<u>(10,798)</u>	<u>(500)</u>
Net increase in cash and cash equivalent	18,215	14,641
Cash and cash equivalents at beginning of the year	<u>14,641</u>	-
Cash and cash equivalents at end of the year	<u><u>32,856</u></u>	<u><u>14,641</u></u>

The notes on pages 6 to 9 form an integral part of these financial statements.

The report of the Auditors is set forth on Page 1.

ENVIRONMENT SOCIETY OF OMAN

Notes

(forming part of the financial statements)

1 Legal status and principal activities

Environment Society of Oman (the "Society") is a non profit making organisation established in the Sultanate of Oman on 24 March 2004 in accordance with Ministerial decision 42/2004 of the Ministry of Social Development.

The Society is engaged in environment maintenance and development of related knowledge in Oman and is managed by the Board of Directors of the Society.

2 Significant accounting policies

a) *Statement of compliance*

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and its interpretation adopted by the International Accounting Standards Board ("IASB"). In August 2005, the IASB issued IFRS 7 "financial instruments: disclosures" which is effective for the accounting years beginning on or after 1 January 2007. The Company believes that IFRS 7 will not affect the Company's financial position or results of operation presented in future financial statements as it relates solely to the content or format of the financial instruments disclosure.

b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis.

c) *Functional currency*

These financial statements are presented in Rial Omani (RO), which is the Society's functional currency.

d) *Use of estimates and judgments*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include provisions for impairment of receivables.

e) *Provisions*

A provision is recognised in the balance sheet when The Society has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

f) *Payables and accruals*

Payables and accruals are stated at cost.

ENVIRONMENT SOCIETY OF OMAN

Notes

(forming part of the financial statements)

2 Significant accounting policies (continued)

g) Taxation

The Society is not subject to Omani income tax nor required to file Oman tax returns.

The accounting policies set out below have been applied consistently by the Society and are consistent with those used in the previous year.

h) Fixed assets

Items of furniture & fixtures, office equipments and Turtle project are stated at cost less accumulated depreciation and impairment losses. Subsequent expenditure is capitalise only when it increased the future economic benefits embodied in fixed assets. All other expenditure are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of fixtures, furniture's and equipment. The estimated useful economic lives are as follows:

	%
Furniture and Fixtures	33.33
Office equipment	25
Turtle Project	25

Management reassess the useful lives, residual values and depreciation methods for furniture and fixtures, office equipment and Turtle project annually.

(i) Impairment

The carrying values of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of the Society's receivables is calculated as the present value of expected future cash flows, discounted at the original interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

j) Other receivables

Other receivables are stated at their cost less impairment losses, if any.

ENVIRONMENT SOCIETY OF OMAN

Notes

(forming part of the financial statements)

2 Significant accounting policies (continued)

k) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

l) Income

Income consists of membership fee, donations, sponsorship and income from the sale of merchandise. Income is recognized in the period in which it is received.

3 Fixed assets

	Furniture& fixtures RO	Office equipment RO	Turtle project RO	Total RO
<i>Cost</i>				
1 January 2006	2,725	2,515	-	5,240
Additions	-	500	10,298	10,798
	<u>2,725</u>	<u>3,015</u>	<u>10,298</u>	<u>16,038</u>
<i>Depreciation</i>				
1 January 2006	240	210	-	450
Charge for the year	908	754	2,574	4,236
	<u>1,148</u>	<u>964</u>	<u>2,574</u>	<u>4,686</u>
<i>Net book value</i>				
31 December 2006	<u>1,577</u>	<u>2,051</u>	<u>7,723</u>	<u>11,351</u>
31 December 2005	<u>2,485</u>	<u>2,305</u>	-	<u>4,790</u>

4 Stock

	2006 RO	2005 RO
Mugs	71	280
T-shirts	141	548
Wheel cover	357	256
Mouse pad	-	14
Books	1,160	-
	<u>1,729</u>	<u>1,098</u>

5 Cash at bank and in hand

Cash at bank	32,855	14,556
Cash in hand	1	85
	<u>32,856</u>	<u>14,641</u>

ENVIRONMENT SOCIETY OF OMAN

Notes

(forming part of the financial statements)

6	Creditors and accruals	2006	2005
		RO	RO
	Accounts payable	510	510
	Accrued expenses	306	480
		<u>816</u>	<u>990</u>
7	Administrative and general expenses		
	Conference and seminars	4,575	2,581
	Salary	2,922	-
	Advertisement	957	371
	Rent	1,800	1,200
	Printing and stationary	1,640	38
	Other sundry expenses	1,188	662
	Audit	400	-
	Telephone and internet	216	65
	Electricity and water	142	36
		<u>13,840</u>	<u>5,080</u>
8	Fair value of financial instruments		
	<p>The Board of Directors does not foresee any financial risk that affects the amount, timing and certainty of future cash flows relating to financial instruments and the accounting policies applied to the instruments. Hence the carrying amount was considered to be a reasonable estimate of the fair value of the financial instruments.</p>		
9	Taxation		
	<p>The Society does not consider itself to be liable to taxation in view of the non-profit nature of the Society and have communicated to the Taxation Authorities accordingly. Therefore no provision for taxation has been made in these financial statements.</p> <p>In the unlikely event that The Society be subject to tax, the Board of Directors believe that the resultant taxation will not be material to the financial position of The Society.</p>		
10	Capital commitment		
	<p>At the balance sheet date, The Society did not have any capital commitments.</p>		
11	Comparative figures		
	<p>Certain comparative figures have been reclassified to conform to the presentation in these financial statements. The previous financial statements for the year ended 31 December 2005 were audited by AGN Mak Ghazali LLC, who issued an unqualified opinion.</p>		